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FM AMEMBASSY BAMAKO  
TO RUEHC/SECSTATE WASHDC 6751  
INFO RUEHZK/ECOWAS COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 0007  
RHMFIS/DO USEUCOM VAIHINGEN GE  
RUEAIIA/CIA WASHDC  
RUEHLMC/MCC WASHINGTON DC 0029

UNCLAS SECTION 01 OF 02 BAMAKO 000070

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E.O. 12958: N/A

TAGS: ETRD ECON EAGR ML

SUBJECT: ALL THE TEA IN MALI; A LOOK AT CHINESE ECONOMIC EXPANSION IN AFRICA

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¶1. Summary: Chinese tea imports have captured nearly the entire Malian market in just one generation, replacing prior sources and trade routes that existed for several centuries. In a story line that reveals much about China's emerging dominance in consumer goods in Africa, Chinese traders helped identify a market niche by developing identifiable brands, assuring consistent quality and supply, and providing various packaging options; Malians distributed the product to retailers throughout the country. Most Malians drink tea several times a day. While competition among Malian importers for market share is fierce, in the end all the tea comes from China. End Summary.

¶2. Few rituals in Mali compare with the consumption of tea. A tradition tracing its origins to the Tuareg and Arab nomads of Northern Mali, the custom spread south in colonial times. Now, nearly every Malian regardless of age and social class participates in the thrice-daily ritual of preparing and drinking a thick blend of green tea and sugar. Curiously, Chinese agronomists helped spur the trend by establishing a local tea-growing cooperative in the late 1960's, in competition (at the time) with traditional caravans that imported tea from the Middle East. As demand outstripped local capacity, Chinese traders stepped in to help Malian entrepreneurs supply the market with Chinese imports.

¶3. One such entrepreneur, Boubacar Tandia, who claims 15 percent of the multi-million dollar tea market, started importing tea in 2002, after "customs reforms" initiated in Ouagadougou eliminated his primary business of importing electronic goods through Mali to Burkina Faso. Chinese traders introduced him to an agent from a Chinese parastatal, who suggested he break into the tea sector and invited him to Beijing to develop a marketing plan. Tandia first visited Malian customs as the only reliable (if strictly informal) source of import data. Officials there told him they estimated Chinese imports of tea that year at 7 billion CFA (14 million dollars).

¶4. In Beijing, the parastatal and Tandia selected a specific blend, developed a brand ("Elephant"), and decided on package sizes appropriate for resale in small kiosks and market stalls. Tandia says he put the money up front for the first 40 foot container to Mali, as credit was not provided by the Chinese.

¶5. Tandia claims "Elephant" was a market leader until the civil war in Cote d'Ivoire cut access between the port of Abidjan and Mali for six months; by the time the roads reopened, brands sold by others had taken over (one brand, "Lobo," is named for Malian President Toure's wife). Tandia

went back to China and developed two additional brands, "Le Nord" and "Tuareg," with labels and promotional materials invoking images of Mali's nomadic north. Tandia claims the blends were even selected for taste by a Tuareg friend to assure authenticity. Tandia now claims he controls 15 percent of Mali's multi-million dollar tea market, which he predicts will grow based on the quality of his product.

¶6. Comment: Tandia's experiences explain briefly how China has come to dominate the market in consumer goods in West Africa:

--Low Price: Chinese goods are immediately affordable, unlike bargain-priced Western goods (or Chinese goods made to Western specs), which are still beyond the price range of the typical Malian consumer. Chinese motor bikes for instance, with a price of around 500 dollars, have driven comparable Japanese or French models (unavailable locally for less than 2000 dollars), out of the local market.

--Local distribution: Chinese traders sell directly to Malian middlemen, who then distribute the goods through small shops and street vendors. In contrast, Lebanese and French traders frequently control the retail segment as well, leaving out local wholesalers.

--"Value Added" takes place in China as much as possible before shipment: Goods manufactured in China take advantage of lower input costs and economies of scale, allowing them to enter the market at a lower price than locally manufactured goods. Ironically, many of the local manufacturers are also Chinese-Malian Partnerships set up in previous decades.

--Local Chinese Facilitate commerce: The permanent and significant presence of Chinese traders provides critical contacts and opportunities for Malians previously closed out by Lebanese or other business interests.

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--Quality still an issue: Chinese goods have a poor reputation for quality and thus many are deliberately manufactured to indicate another country of origin. Chinese tea has an excellent reputation, however, and now has a complete lock on the market for Mali's centuries old tradition.

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